

A Budget Hearing of the School Board of said district was held at the administrative offices on the above date. The meeting was called to order by President Haidle at 5:00 p.m.

Members Present: Bajema, Rettig, Drake, Featherston, Haidle
Members Absent:

Kent ISD Staff: Superintendent Koehler, Assistant Superintendent Philipps, Rodgers;
Recording Secretary Lovell.

President Haidle called the meeting to order at 5:01p.m. Assistant Superintendent Philipps reviewed the presentation agenda and gave the following report to the board.

Economic Update

Assistant Superintendent Philipps reviewed the trends in national GDP highlighting a significant fluctuation since the beginning of the pandemic in 2020. Federal funds that were pushed into the economy made for a robust start to 2021 while later that year, inflation increased to 8-9%. This caused the federal reserve to aggressively raise interest rates that are currently at 5.25%. Inflation trends have lowered to 5% causing consumers to believe the economy is headed for a soft landing versus what was originally forecasted to be a recession.

The labor market continues to keep the economy strong with a 3.5% unemployment rate. Many Americans have left the labor force creating a greater number of job openings than people willing to fill those positions. Wage growth spiked through the inflationary period to 9% and is now trending downwards to 6.3%. K-12 institutions are behind the curve, as many educators are locked into bargaining agreements. Now that union contracts are open for negotiations, staff are demanding higher wage increases.

The housing market remains strong and competitive as home values continue to rise. This has helped property values stay strong and bring in additional mileage dollars for public schools. The housing market in Grand Rapids currently has 30-40 buyers for every listing with a shortage of 35,000 homes in the Grand Rapids area.

State Budget Outlook

Assistant Superintendent Philipps gave an overview of the School Aid Fund projections from the January Revenue Conference. The fiscal year will end with a balance of \$4.1 billion in school aid funds with an estimation of \$5.5 billion for the 23-24 school year. The May Revenue Conference will be held towards the end of the month to provide updated projections.

Assistant Superintendent Philipps shared the Governor's budget proposal highlighting an increase of 5% to the General fund (Section 81) with no increases to CTE funding as we saw in last year's budget. The Governor has proposed Special Ed funds (51e) move from 75% to 87.5% of the foundation allowance for each student. The Great Start Readiness program proposes to maintain 100% of the K-12 foundation allowance that would move funding for a full-day slot from \$9,150 to \$9,608 per pupil. Adult Education funds (Section 107) are proposed at a 50% base increase

along with an additional \$15 million for a pilot program to draw more students into Adult Education programs. The Governor has also allocated \$150 million to school safety, \$245 million to School Consolidation and \$160 million for universal free school breakfast and lunch.

2023 Taxable Values

Kent County has seen taxable value (TV) growth increased by 8.61% which is the largest increase since 1995. Additionally, Kent ISD millage will not be subject to a Headlee reduction in 2023, therefore we will realize a full 8.6% increase in revenue from the millage. Assistant Superintendent Philipps reviewed the taxable values in relation to the State Equalized Value (SEV). The SEV is going up at a higher rate than TV; TV is currently at 76% of the State Equalized Value.

2023-24 Budget Assumptions

Assistant Superintendent Philipps reviewed the proposed budget assumptions based on the Governor’s proposal. These are listed below:

Revenues	Proposed Budget
Taxable Value Growth	5% increase
Section 81 Funding	5% increase
Section 51f Special Ed cost reimbursement	87.5% of foundation allowance 75% in 22-23)
Other State Funding (Section 61a &62)	No change
Investment Income GSRP	\$9,608-full day (\$9,105 in 22-23)
Section 31n (Mental Wellness)	\$1,003,100 (\$955,300 in 22-23)
Expenses	
Salaries/Wages	2.0% + step increment
Health Benefits	1.3% (2023), 4.1% (2023)
MPSERS Retirement Rate	28.23% to 31.34% (offset by state funding)
Risk Management Insurance	10% increase
Capital Outlay	5.0% increase

Assistant Superintendent Philipps shared the 2023-24 staffing changes within each of the funds. The most significant changes will be made to the Human Resources, Business Office, and Student Services. These additions right-size staffing after our organization experienced significant growth over the past several years.

Proposed 2023-2024 Budget(s)

Assistant Superintendent Philipps reviewed the proposed budget for all Kent ISD funds. The General Fund is very healthy and is projected to have a surplus of \$175,000 in fund reserve. A one-time transfer of \$1.5 million will be made to capital funds for ESC building renovations.

The Special Education Fund has a projected deficit of \$5.4 million, which includes a \$3 million one-time transfer to capital funds and a \$2.5 million supplemental Act 18 payment. Projected fund balance is still healthy at \$7.1 million. Although the Special Education Fund is \$250 million, when

IDEA, Medicaid and Act 18 funding is passed through to local districts and expenses for transportation and additional supports are incorporated, the budget for services and supports is closer to \$10-12 million.

The Center Programs funds show an excess cost of under \$1.1 million. The cost for these programs billed to our local districts is significantly lower than in years past, while we continue to maintain high quality programming.

The CTE Fund is projected to have an increase of \$1.7 million, which brings the fund balance to \$16 million. The millage funding is exceeding the funds needed to run current CTE programming providing us with a healthy fund balance. This additional revenue will help support the CareerPrep 2030 initiative, as future costs may need to be allocated for regional programming.

The Cooperative Education Fund continues to have a healthy balance. Small deficits were noted for this year and next specifically for MySchool@Kent as the program continues to grow.

The Community Service fund represents the enhancement millage that is passed through to local districts. This is approximately \$300 per pupil for the 23-24 school year.

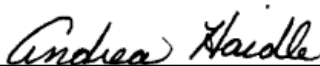
Capital Project Funds projects were reviewed along with expenses for upcoming projects. The Student Accounts Fund that contains revenues from fundraising and clubs was reviewed. Recent GASB changes require a separate budget for each activity.

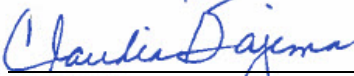
Assistant Superintendent provided the board an update on potential future issues should the legislators pass the Senate's proposal to add Pre-K as a grade level for state foundation allowance dollars at 120% of the foundation allowance. The other potential issue involves revisions to Public Act 152 that may require future budget decisions for health care costs down the road.

Assistant Superintendent Philipps provided a summary of the presentation and noted he expects to see another strong budget in 2023-24. President Haidle thanked Assistant Superintendent Philipps for the budget update.

The meeting was adjourned by President Haidle at 6:04 p.m.

Minutes Approved: June 19, 2023



Andrea Haidle, President


Claudia Bajema, Secretary

/ml